

Message Text

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ACTION EB-11

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TO SECSTATE WASHDC 3721

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AMCONSUL PERTH

AMCONSUL SYDNEY

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E.O. 11652: N/A

TAGS: EIND, EGEN, AS

SUBJ: CONTINUING DEBATE ON GOA ECONOMIC POLICY

REF: CANBERRA 4286

1. DEBATE HEIGHTENED WITH RELEASE ON JULY 19 OF CONSUMER PRICE INDEX RESULTS FOR JUNE QUARTER SHOWING 4.1 PCT. OVERALL RISE IN ALL GROUPS INDEX DURING QUARTER AND AN INCREASE ON JUNE 1973 FIGURES OF 14.4 PCT. EXPRESSING "GRAVE CONCERN," GOA TREASURER FRANK CREAN WARNED THAT RECENT SPATE OF WAGE INCREASES WERE NOT YET REFLECTED IN THESE FIGURES, AND THAT SEPTEMBER AND DECEMBER RESULTS THEREFORE COULD BE WORSE.

2. IN SOMEWHAT LESS CONCERNED VEIN, DEPUTY PRIME MINISTER AND MINISTER FOR OVERSEAS TRADE CAIRNS COMMENTED THAT INCREASE WAS NOT UNEXPECTED AND WAS NOT EXCEPTIONAL AMONG INDUSTRIALIZED COUNTRIES. INTERESTINGLY, HE EXPRESSED VIEW THAT "EXTERNAL FORCES" WERE NO LONGER CONTRIBUTING TO PROBLEM, AND THAT AUSTRALIA WAS NOW

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SUFFERING SEVERE INTERNAL COST-PUSH PRESSURES. HIS IMPLICATION

CLEARLY WAS THAT THESE PRESSURES ORIGINATE IN EXCESSIVE WAGE DEMANDS WHICH MUST BE RESTRAINED IF INFLATION TO BE CONTROLLED. MINISTER FOR LABOUR AND IMMIGRATION CLYDE CAMERON, ON OTHER HAND, REPORTEDLY ATTRIBUTED JUNE RESULTS PRINCIPALLY TO THE "PROFIT FACTOR" AND REFERRED AMBIGUOUSLY IN THIS CONNECTION TO, AMONG OTHER THINGS, INFLUENCES OF "FOREIGN CONTROLLED FIRMS AND MULTINATIONAL CORPORATIONS". LEADER OF OPPOSITION SNEDDEN PREDICTABLY SEIZED ON CPI RESULTS TO DENOUNCE LABOR GOA POLICIES AND TO RENEW HIS DEMAND FOR AN IMMEDIATE 10 PCT. CUT IN INCOME TAXES WHICH HE SAID WAS NEEDED TO "ENCOURAGE WAGE RESTRAINT".

3. PRESS OF JULY 23 REPORTS OPENING ON PREVIOUS DAY OF CABINET ECONOMIC COMMITTEE MEETING TO CONSIDER TREASURY'S PROPOSALS FOR ANNUAL COMMONWEALTH BUDGET, NORMALLY PRESENTED TO PARLIAMENT IN AUGUST BUT EXPECTED THIS YEAR TO BE DELAYED BECAUSE OF RECENT ELECTIONS. UNUSUAL STEP OF READING COMMONWEALTH CRIMES ACT PROVISIONS ON SECRECY TO ASSEMBLED MINISTERS AT CONCLUSION OF AFTERNOON SESSION REPORTEDLY TAKEN. PRESS NEVERTHELESS SPECULATES THAT PACKAGE CONTAINED RANGE OF "RADICAL" ANTI-INFLATION PROPOSALS, INCLUDING A CAPITAL GAINS TAX, INCREASE IN CERTAIN EXCISES, AND COST-CUTTING MEASURES IN CONNECTION WITH PROPOSED NEW SOCIAL WELFARE AND HEALTH EDUCATION PLANS, INCLUDING NATIONAL HEALTH INSURANCE SCHEME.

4. MEANWHILE, DISPUTE OVER DEMAND FOR REOPENING OF LUCRATIVE METAL TRADES WAGE SETTLEMENT, REACHED ONLY LAST APRIL, CONTINUES AND IS DEVELOPING IMPLICATIONS FOR GOA IMPORT STIMULATION POLICIES. METAL TRADES INDUSTRY ASSOCIATION HAS NOT ONLY REJECTED UNION'S CLAIM FOR ADDITION A\$15 WEEKLY AWARD BUT HAS SEIZED OCCASION TO WARN OF THREAT TO EMPLOYMENT STEMMING NOT ONLY FROM ESCALATING WAGE DEMANDS BUT FROM "FURGE OF IMPORTS" ALREADY TAKING PLACE AND IN THE PIPELINE. THERE IS SUGGESTION IN PRESS ACCOUNTS THAT INDUSTRY ASSOCIATION IS ATTEMPTING, WITH PROSPECT OF SUCCESS, TO ENGAGE UNIONS IN EFFORT TO PUT PRESSURE ON GOA TO PROTECT INDUSTRY FROM IMPORT COMPETITION WHICH HAS FOLLOWED TARIFF CUTS AND CURRENCY REVALUATIONS.

5. COMMENT: WHITLAM GOVERNMENT FACES INCREASINGLY PAINFUL DILEMMA AS EVIDENCE ACCUMULATES THAT STRONGER MEDICINE REQUIRED TO CURE CURRENT SERIOUS CASE OF INFLATION. KEY INGREDIENT CLEARLY APPEARS LIMITED OFFICIAL USE

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TO BE WAGE RESTRAINT AS DEPUTY PM CAIRNS NOW SEEMS TACITLY TO RECOGNIZE. INDICATIONS ARE, HOWEVER, THAT INCUMBENT POLITICAL LEADERS ARE EXTREMELY RELUCTANT TO SEE INCREASED UNEMPLOYMENT USED AS AN INSTRUMENT TO OBTAIN THIS RESTRAINT. PRESIDENT OF ALP BOB HAWKE HAS PUT GOA ON NOTICE THAT TRADE UNIONS MOVEMENT, WHICH HE ALSO LEADS, REJECTS IDEA THAT UNEMPLOYMENT RATE, OR MEASURES WHICH RAISE IT, ARE APPROPRIATE INFLATION CONTROL INSTRUMENTS, USING STRONG LANGUAGE ON JULY 20 TO CONDEMN THOSE IN "IVORY

TOWERS" AND IN THE TREASURY WHO REGARDED PEOPLE AS "PAWNS ON AN
ECONOMIC CHESSBOARD."
HARROP

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